Total Return Approach (TRA) to accounting procedures.

Frequently asked questions

What has brought us to this point in considering adopting TRA?

During Covid, the core finance group became increasingly exercised about our growing budget deficits. We took several initiatives to make our position more secure:

- Changed our approach to common fund.
- Sold some high value properties and completed two big glebe deals.
- Undertook a Diocesan wide approach called Shaping for Mission.
- Took advantage of the national church's sustainability funding.

Despite all this the 2022 accounts show another substantial operating deficit and our revenue from parish share remained at around £9.5m. We have no confidence that this revenue figure will improve and believe £9.5m might be a new "normal" figure.

We began to consider TRA a couple of years ago as both the national church and other Dioceses were doing so. To begin with we saw this as a means of improving our income stream but as the regulations were discussed within our governance structures it became clear that adjustments in our thinking were needed. We have moved from seeing TRA as golden goose generating income to a tool that will enable us to move our funding around our unrestricted funds more flexibly. It is not of itself a magic bullet to help cash flow.

Do we have any other options?

There are no other realistic options at this point. A reduction in expenditure of £1.5 million is the equivalent of another 26 full time clergy posts at the current subsidy. That cannot be realistically made to happen. All of us have a clear objective to secure effective yet sustainable mission and ministry throughout the Diocese. Without utilising this technical accounting tool our accessible unrestricted reserves could all but disappear in three years and our auditors would be unable to certify us as a 'going concern'.

Are we not "selling the family silver" and thereby creating problems for the future?

TRA is a technical accounting standard adjustment, which enables the diocese to continue to be a going concern. The recommendations on how we proceed with this approach, as set out in the paper, are conservative and are a way of introducing an approach which is essential for accounting without impact on "the family silver".

Has the decrease in the value of the pound been considered when calculating capital gains over a period?

Yes, this has been factored into what is proposed. Taking this approach will enable individual glebe and property sales to be discussed and agreed within the usual governance system. We can ensure that in all sales that generate capital profit a proportion of that profit is re-invested (according to our current investment policy) In ordered to protect against inflation using an additional 4% to the historical base figure.